

FEDERAL RESERVE SYSTEM

Modification of Procedures for the September 1999 Changes in Deposit Reporting Frequency

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board is amending its procedures for shifting depository institutions among deposit reporting categories for September 1999. The adjustments to the usual category shift procedures are intended to help reduce the number and extent of modifications needed in the data processing systems of depository institutions close to the time of the century date change. The adjustments to the usual procedures are temporary; in September 2000, the normal category shift procedures will be employed.

EFFECTIVE DATE: August 1, 1999.

FOR FURTHER INFORMATION CONTACT: Gretchen Weinbach, Economist, Division of Monetary Affairs (202/452-2841). For the hearing impaired only, Telecommunications Device for the Deaf (TDD), Diane Jenkins (202/452-3544).

SUPPLEMENTARY INFORMATION: The Board has established five categories of deposit reporting for administering Regulation D, Reserve Requirements of Depository Institutions (12 CFR part 204), and for constructing and analyzing the monetary and reserve aggregates. Every institution is placed into one of these five categories for deposit reporting purposes.¹

In general, the larger the institution, the more detailed or more frequent is its reporting. Two "detailed reporting" categories apply to institutions that are not exempt from reserve requirements.² Institutions subject to detailed reporting requirements file the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) and, if applicable, the Report of Certain Eurocurrency Transactions (FR 2950 or FR 2951). Institutions file the reports either weekly or quarterly, depending on the level of the institution's deposits. Three reduced reporting categories apply to institutions that are exempt from reserve requirements. Institutions subject to reduced reporting file either the Quarterly Report of Selected Deposits, Vault Cash and

¹ Depository institutions that are required to maintain reserves are defined in § 204.1(c) of Regulation D. Classes of institutions subject to deposit reporting include commercial banks, industrial banks and similar institutions, mutual or stock banks, building or savings and loan associations, homestead associations, credit unions, Edge and Agreement corporations and their branches, and U.S. branches and agencies of foreign banks.

² Institutions are exempt from reserve requirements if their total reservable liabilities are equal to or less than the exemption amount, which is indexed annually by 80 percent of the percentage increase in total reservable liabilities of all depository institutions measured on an annual basis as of June 30. No adjustment is made for a decrease in total reservable liabilities. The exemption amount effective for 1999 is \$4.9 million.

Reservable Liabilities (FR 2910q), the Annual Report of Total Deposits and Reservable Liabilities (FR 2910a), or no report at all, depending on their deposit levels. Federal Reserve staff reviews the deposit levels and reservable liabilities of depository institutions each year and assigns institutions to new reporting categories effective in September of each year.

Table 1 shows the four categories of institutions that file deposit reports with the Federal Reserve (the fifth category, non-filing institutions, is not shown). The table shows the cutoff levels that would normally be in effect in September 1999.

Table 1.

DEPOSIT REPORT CATEGORIES (with cutoff levels that would normally apply for September 1999)			
Institutions Exempt From Reserve Requirements (Reservable liabilities \leq \$4.9 million)		Institutions Not Exempt From Reserve Requirements (Reservable liabilities $>$ \$4.9 million)	
<u>Annual Reporters</u> ! Have deposits $<$ \$52.6 million but \$4.9 million ! File a 2-item report (FR 2910a)	<u>Quarterly Reporters</u> ! Have deposits \$ 52.6 million ! File a 6-item report (FR 2910q)	<u>Quarterly Reporters</u> ! Have deposits $<$ \$81.9 million ! File a 14-item report (FR 2900)	<u>Weekly Reporters</u> ! Have deposits \$ \$81.9 million ! File a 14-item report (FR 2900)

The Board and other supervisory agencies required depository institutions to have their data processing systems ready for the century date change by June 30 and to manage any subsequent changes in their systems with great care. For some institutions, changes in reporting requirements due to a report category reclassification would necessitate system changes between August and September 1999.

Under normal circumstances, there are six types of reporting category shifts that are compulsory: non-exempt quarterly reporters that shift to non-exempt weekly reporters, exempt quarterly reporters that shift to non-exempt weekly or quarterly reporters, and exempt annual reporters that shift to exempt quarterly reporters or non-exempt weekly or quarterly reporters. (Other reclassifications represent downward shifts to less burdensome reporting categories, which are permissible but not compulsory.)

Table 2.

CHANGES IN COMPULSORY REPORTING CATEGORY SHIFTS IN 1999		
Normal Category Shift		Status in 1999
From:	To:	
Non-exempt quarterly (FR 2900)	Non-exempt weekly (FR 2900)	No shift required. (Continue to report quarterly on FR 2900.)
Exempt quarterly (FR 2910q)	Non-exempt weekly (FR 2900)	Shift to non-exempt quarterly. (Report quarterly on FR 2900.)
Exempt quarterly (FR 2910q)	Non-exempt quarterly (FR 2900)	Shift as usual. (Report quarterly on FR 2900.)
Exempt annual (FR 2910a)	Non-exempt weekly (FR 2900)	Shift to non-exempt quarterly. (Report quarterly on FR 2900.)
Exempt annual (FR 2910a)	Non-exempt quarterly (FR 2900)	Shift as usual. (Report quarterly on FR 2900.)
Exempt annual (FR 2910a)	Exempt quarterly (FR 2910q)	No shift required. (Continue to report annually on FR 2910a.)

The Board believes that two of the six compulsory reporting category shifts can be deferred until September 2000 without material adverse consequences to the enforcement of reserve requirements. As shown in Table 2, the Board has determined that any non-exempt institution that otherwise would be required to begin filing the FR 2900 on a weekly basis will instead be allowed to continue to file the same report on quarterly basis. In addition, institutions that have been and remain exempt from reserve requirements (that is, have reservable liabilities of \$4.9 million or less) and that are currently reporting annually on form FR 2910a may continue to report annually on that form, even if their deposits have grown to a size that otherwise would require shifting to the quarterly exempt report (FR 2910q).

Given the Board's responsibility for enforcing reserve requirements, the deferral will not apply to any previously exempt institution that becomes non-exempt (that is, has reservable liabilities exceeding \$4.9 million in 1999). In order to reduce the burden on such an institution, however, it will only be required to file the FR 2900 on a quarterly basis, even if it otherwise

would have been required to report weekly. Of the four remaining compulsory category shifts, therefore, two will shift as usual (exempt quarterly and annual reporters that shift to non-exempt quarterly reporters) and two will shift to a less burdensome category than would normally apply (exempt quarterly and annual reporters that would normally shift to non-exempt weekly reporters will shift instead to non-exempt quarterly reporters).

In other respects, the reporting category shift procedures will remain unchanged. Existing weekly reporters that continue to meet the criteria for weekly reporting would not be allowed to shift to quarterly reporting. As usual, institutions that are allowed to shift to a less burdensome reporting category would not be compelled to do so. Normal category shift procedures will resume in September 2000.

By order of the Board of Governors of the Federal Reserve System, July 15, 1999.

(Signed Jennifer J. Johnson)

Jennifer J. Johnson,
Secretary of the Board.